



1966 ANNUAL REPORT





*The English text of this annual report  
can be obtained by writing  
to the Company, at 7 King Street East,  
Toronto 1, Ontario, Canada.*

*On pourra se procurer le texte français  
de ce rapport annuel en s'adressant  
à la Société, 7 King Street East,  
Toronto 1, Ontario, Canada.*

**THE PATIÑO MINING CORPORATION**

(No Personal Liability)

**Directors**

Count du Boisrouvray, Geneva  
E. R. E. Carter, Toronto  
George Gutierrez, Toronto  
William F. James, Toronto  
S. P. Ogryzlo, Toronto  
Jaime Ortiz-Patiño, Geneva  
Antenor Patiño R., Paris  
Sidney H. Robinson, Q.C., Toronto  
F. G. Tucker, Toronto  
William P. Wilder, Toronto

**Officers**

Antenor Patiño R., Chairman of the Board  
E. R. E. Carter, President and Managing Director  
George Gutierrez, Vice-President  
S. P. Ogryzlo, Vice-President  
F. G. Tucker, Vice-President  
P. J. Keenan, Treasurer  
J. W. Lay, Secretary  
J. A. McKee, Assistant to the President  
J. D. Kadlec, Assistant to the President

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C. M. Marshall, Manager, Copper Rand Mines Division

**Head Office**

Chibougamau, Quebec

**Executive Office**

7 King Street East, Toronto

**Transfer Agents  
and Registrars**

National Trust Company Limited, Toronto, Montreal  
and Vancouver.  
Eastern & Chartered Trust Company, Saint John

**Auditors**

Price Waterhouse & Co., Toronto



# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## DIRECTORS' REPORT

We submit herewith the Annual Report, including Consolidated Financial Statements for the year ended December 31, 1966 comprising the Balance Sheet, Statements of Earnings, Earned Surplus and Source and Application of Funds and the Auditors' Report.

Owing to a severe credit squeeze, escalating wage scales and living costs, restrictions to support sterling and the wide consequences of Vietnam — common to all business but particularly to a Group with world wide interests — 1966 was a difficult year for your Company. Earnings from the Copper Rand Mines Division increased due to a higher copper price but were affected by decreased production resulting from lower ore grade, operating difficulties and labour productivity and by rising costs. Mining exploration was enlarged with programs in Canada, New Caledonia, Spain, Ireland and Mexico. Substantial commitments were made for new projects in Spain and New Caledonia. In Spain a 40% interest was taken in Rio Tinto Patiño, S.A. — the other shareholders being Compañía Española de Minas de Rio Tinto, S.A. (55%) and RTZ Investments, Ltd. (5%) — which will develop existing copper orebodies, explore for and develop new orebodies and erect a copper concentrator, smelter, refinery and sulphuric acid plant. In New Caledonia, nickel properties have been purchased and optioned and exploration and development work is being carried out. Negotiations are in progress to form a consortium to establish a second nickel industry there. Advocate Mines Limited increased production and earnings and paid its first preference dividend. Despite lower lead and zinc prices, Brunswick Mining and Smelting Corporation Limited achieved satisfactory earnings. Further additions to the complex — opening of No. 6 orebody, a lead and zinc smelter and a sulphuric acid plant — were completed and construction began on the fertilizer plant in which Brunswick has a half interest. Southern Maryland Agricultural Association operated for the first time its standardbred track, Freehold Raceway in New Jersey. Canadian Dredge & Dock Co. Limited competed successfully in marine construction and operated Ruby Foo's Restaurant and Motor Hotel. A further reorganization of your Company's investment in the United Kingdom occurred when Consolidated Tin Smelters Limited made an offer to the shareholders of its parent, General Tin Investments Limited, with the result that your Company now owns directly 56% of Consolidated Tin Smelters Limited which holds a majority of the shares of British Tin Investment Corporation. In November last, Occidental Petroleum Corporation made an offer, completed on March 1, 1967, to acquire the assets of McWood Corporation on the basis of 0.412 shares of Occidental Petroleum Corporation for each share of McWood Corporation. Your Company now holds 123,600 shares of Occidental Petroleum Corporation which is successfully pursuing oil and gas, fertilizer and chemical interests.

Copper demand in 1966 was stimulated by the Vietnam War and a high level of industrial activity. Uncertainty of supply stemming from political unrest in Zambia and the Congo and strikes in Chile and Zambia were partially offset by releases from the United States stockpile but the London Metal Exchange price fluctuated widely (£355 to £785 per ton). The Canadian producer's price was raised from 40.75¢ (Can.) to 45¢ in January, where it remained for the balance of the year. In January, 1967 this price was increased to 47.25¢, the present level. Indications are that with rising world production the London Metal Exchange price will decline during 1967, barring any substantial disruption from strikes and political difficulties. The price of tin declined gradually during 1966 before settling around £1,200. The shortfall between production and



consumption continues to be met by sales from the United States stockpile. However, it would appear that the United States authorities are unwilling to depress the tin price below the £1,200 level where the Buffer Stock Manager may, at his discretion, purchase. The high tin price encouraged production from small miners in Malaysia. The improved political situation in Indonesia may result in increased Indonesian production. Lead and zinc continue to fill a diminishing portion of an increasing world metals market. During 1967 zinc production will likely balance consumption while lead production appears to be slightly in excess of consumption. Demand for asbestos continues to grow throughout the free world. A recent minor price increase will partially offset rising costs of production.

Revenue, net cash income and net earnings of your Company attained higher levels:

- (i) revenue was \$13,995,877 (\$12,777,748 in 1965);
- (ii) net cash income was \$4,854,951 (\$4,207,428). Net cash income less capital and deferred expenditures, but excluding outside exploration expenditures was \$4,139,942 (\$3,590,191) — \$1.07 (93¢) per share;
- (iii) net earnings were \$2,398,585 (\$2,162,346)—62¢ (56¢) per share.

*All per share calculations have been based on 3,875,550 shares outstanding at December 31, 1966.*

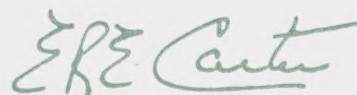
During the year 13,550 shares were issued under terms of the Employee Stock Option Plan. Since December 31, 1966 Compañía de Bonos, Acciones y Negocios Industriales, S.A. exercised its option on 200,000 shares of your Company's capital stock at \$7.00 per share. An equivalent number of shares remain under option to July 31, 1968. Dividends aggregating \$968,613 (\$952,110) were paid at the rate of 25¢ per share, as in 1965. Earned surplus increased from \$8,478,117 to \$9,908,089 and working capital was maintained.

At December 31, 1966 non-consolidated subsidiary companies were carried at a cost of \$11,530,033 (\$11,519,578) and had a quoted market value of \$16,203,557 (\$11,146,825). Investments in other than subsidiary companies, carried at a net cost of \$16,354,078 (\$14,877,392), had a market or estimated value of \$24,112,391 (\$31,358,839).

The outlook for your Company's interests, and particularly the future prospects of the new ventures in Spain and New Caledonia, are encouraging.

The efforts during the past year of Simon I. Patiño Succession and the directorates, managements and employees throughout the Group are gratefully acknowledged.

On behalf of the Board of Directors,



Toronto, March 27, 1967.

President and Managing Director.



## COPPER RAND MINES DIVISION

Details of the operations at the Copper Rand, Portage, Jaculet, Bouzan and Quebec Chibougamau mines are set out in the attached Report of the Management. Operating highlights:

	1966			1965		
Average daily milling rate (tons)	1,824			1,837		
Aggregate tons milled	651,210			663,251		
	Copper	Gold	Silver	Copper	Gold	Silver
Mill head grade . .	1.97%	0.036 oz./ton	0.21 oz./ton	2.25%	0.047 oz./ton	0.31 oz./ton
Concentrate grade	24.59%	0.377 oz./ton	2.30 oz./ton	24.54%	0.441 oz./ton	3.14 oz./ton
Recovery . . . . .	95.19%	79.89%	78.67%	95.15%	82.13%	78.20%
Contained metal shipped . . . . .	24,330,866 lb.	18,290 oz.	119,249 oz.	27,915,099 lb.	24,451 oz.	166,381 oz.

After milling 651,210 tons during the year, ore reserves at the end of 1966 were 4,893,000 tons grading 2.40% copper and 0.057 oz. gold compared to 4,816,000 tons grading 2.44% copper and 0.063 oz. gold reported a year ago.

In 1966, \$715,000 were spent on plant and equipment and deferred expenditures. The estimated expenditure for 1967 is \$1,700,000.

The average price reflected in earnings for copper produced during the year was 49.72 cents per pound compared to 38.08 cents per pound in 1965.

## MINERAL EXPLORATION

Search for new mineral deposits was pursued aggressively in 1966. The exploration department was expanded and expenditures were increased. Exploration was carried out alone and in partnership with others in several parts of Canada and in Ireland, Spain, Mexico and New Caledonia.

In the Chibougamau district of Quebec prospecting and ground checking of airborne geophysical anomalies were continued — 30 holes were drilled but the anomalies were found to be due to barren sulphides and graphite. In the vicinity of the operating mines induced polarization surveys have indicated several anomalies which warrant further investigation.

Southern Maryland, in association with two other companies, continued exploration in the Gaspé area of Quebec on a number of claim groups that had been staked and optioned in the last three years. Drilling of the low-grade copper prospect discovered in the fall of 1964 was continued — 100 holes aggregating 68,100 feet have been drilled on the Sullico and Pekan claim groups in an attempt to outline the deposit. The area of mineralization is intersected by numerous porphyry dikes and correlation of various intersections is difficult. It is not possible to make an estimate of ore reserves at this time, but a potential of 10,000 tons per vertical foot grading about 1.0% copper is indicated to a depth of 500 feet. The deposit will be explored underground. Exploration of a concession in Newfoundland by Southern Maryland was unsuccessful.

Two holes were drilled to investigate an anomaly on a property in Kidd township, Ontario, near the Texas Gulf Sulphur development. The holes did not encounter economic mineralization.

In northern British Columbia, Lytton Minerals Limited, an associated company, exercised the option to purchase the Gnat Lake copper prospect, near Dease Lake, on the Cassiar-Stewart highway. In partnership with another company, 14 holes totalling 8,900 feet were drilled to explore a mineralized porphyry body. A substantial tonnage of material grading between 0.4 and 0.5% copper is indicated. An expanded program is planned for this year. Lytton Minerals Limited also conducted exploration in other areas in Western Canada, on the Milan copper prospect in New Hampshire and in Mexico where it has optioned an interesting low-grade copper prospect in a monzonite intrusive.

In association with another company further exploration was carried out on the 11 concessions that are held in Ireland. Eleven holes totalling 1,500 feet were drilled in the Whitegate area to test induced polarization and geochemical anomalies but intersected no mineralization of interest.

A Mexicanized company (Minas del Pacifico, S.A.) was incorporated to permit exploration of a low-grade copper prospect in the state of Jalisco, Mexico. Results of drilling completed to date have not been encouraging.



## NEW CALEDONIA

New Caledonia, a French island in the South West Pacific, has what are considered to be the largest and highest grade laterite and silicate nickel deposits in the world. Société Le Nickel is the only producer of nickel products on the island at the present time. There is an increased interest for the development of a second nickel smelting industry in New Caledonia.

During the year your Company acquired an interest in a New Caledonian company and purchased and optioned some 40,000 acres of nickel-bearing lands. The most important of the properties, located at Poum at the north end of the island, hold possibilities for the development of sufficient ore for start-up of a nickel smelter. Exploration in this area has been pursued, with more than 5,000 feet having been drilled in 57 bore holes. Results are encouraging and we believe the properties represent an important asset to your Company. Discussions are being held with other interests for the further exploration and development of the deposits to production.

## SPAIN

Your Company has undertaken to make a substantial investment under an agreement with Compañía Española de Minas de Río Tinto, S.A. (CEMRT) and RTZ Investments, Ltd. for the development of copper deposits in the vicinity of the present pyrite operations at Río Tinto and also for the construction of a custom copper smelter and refinery and a sulphuric acid plant at Huelva on the south west coast. Río Tinto Patiño, S.A. in which your Company holds a 40% interest has been formed for this purpose. In addition, your Company has undertaken to spend \$600,000 (U.S.) over a 5-year period to explore the properties of CEMRT covering more than 250,000 acres of geologically favourable land in the Province of Huelva.

Engineering and metallurgical studies for the smelting complex to produce 30,000 to 40,000 tons of refined copper and 120,000 tons of sulphuric acid are proceeding and six diamond drills are exploring and delimiting the copper possibilities. Exploration is in progress on the outside properties of CEMRT and also in northern Spain on several copper prospects. It is anticipated that a copper concentrator with a daily capacity of 3,000 to 4,000 tons will be constructed at Río Tinto to treat 1% copper ore.

## CONSOLIDATED TIN SMELTERS LIMITED

Consolidated Tin Smelters Limited, a subsidiary of General Tin Investments Limited, offered either to exchange one ordinary share of C.T.S. for each three shares of G.T.I. or pay 15s. 9d. for each G.T.I. ordinary share. Consequently G.T.I.'s holding in C.T.S. was cancelled and the issued and outstanding shares of C.T.S., at December 31, 1966, were 3,923,783 of which your Company held 2,198,583 shares (56%). £1,305,672 were paid to G.T.I. shareholders who accepted cash for their shares.

C.T.S. with net assets of nearly £10,000,000 now holds a majority interest in British Tin Investment Corporation, Limited which has a portfolio of investments and cash having an aggregate value of approximately £13,500,000. The amalgamation has reduced C.T.S.'s dependence on tin smelting and increased opportunities for development in other fields, nevertheless, it continues to be the leading tin smelter in the world with plants in the United Kingdom, Malaysia, Nigeria and Australia.

## BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

Indicated 1966 production of 114,545 tons of zinc, 38,990 tons of lead, 2,306,833 ounces of silver and copper values, has a gross value of \$43,896,140, or a net value, after marketing expense, of \$22,945,819. After other income (\$11,484) and cost of production (\$9,876,286), mine operating profit was \$13,081,017 which administration (\$582,264), loss on disposal of fixed assets (\$108,652), interest (\$1,435,855) and amortization and mining tax (\$2,542,488) reduced to a net profit of \$8,411,758.

In August 1966 production from the No. 6 open pit orebody commenced with ore being trucked five miles to a new bulk concentrator, with a capacity of 3,000 tons per day, adjacent to the No. 12 concentrator with a capacity of 4,750 tons per day.

A wholly owned subsidiary of Brunswick, East Coast Smelting and Chemical Company completed construction of a lead-zinc smelter, refinery and sulphuric acid plant at Belledune Point 26 miles from the mines. Start-up of the smelter was in November, 1966 but several months will be required to reach smelter capacity.

The output of sulphuric acid from the smelter complex has been sold to Belledune Fertilizer Limited, a 50% owned subsidiary, which is constructing a phosphate fertilizer plant at Belledune, scheduled for completion in late 1967.

*Handwritten notes:*  
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14 November  
M. W. V. M.  
i - B o l h ?  
i - B o l h ?



## **THE SOUTHERN MARYLAND AGRICULTURAL ASSOCIATION OF PRINCE GEORGE'S COUNTY, MARYLAND, INC.**

In February, 1966 S.M.A.A. purchased Freehold Raceway, a harness track in New Jersey.

As a result of the purchase and capital additions to Bowie Race Course total assets increased to \$13,927,251 (\$4,970,573) and long term debt to \$9,677,281 (\$1,340,000). Shareholders' equity rose to \$3,319,651 from \$2,771,597. Net income for 1966 was \$468,054 (\$500,694) or 65¢ (70¢) per share.

Pari-mutuel handle for the 51-day meet at Bowie Race Course was \$50.9 million compared with \$59.8 million in the 52-day meet in 1965. Several factors — in addition to one less racing day — contributed to the decline: a split meeting, inclement weather and a fire which destroyed several barns. Improvements and additions to plant and facilities included a new 850 seat dining room, a new cafeteria, two additional escalators, four concrete barns, larger jockey's quarters and new administration offices.

The 60-day meet at Freehold Raceway had a pari-mutuel handle of \$30.6 million. During 1966 air conditioning and parking facilities were improved, a new dining room installed and reserved seating increased. Studies are currently underway on the economic feasibility of night racing. *All dollar figures are in U.S. Funds.*

## **ADVOCATE MINES LIMITED**

Net income for 1966 was \$2,506,726 (\$2,082,337) after providing depreciation of \$1,190,743 (\$1,246,697) and amortization of preproduction expense of \$145,000 (\$200,000). Cash generated from mine operations before capital expenditures was \$3,842,469 (\$3,529,034). Net expenditures on plant and equipment were \$1,492,420 (\$2,449,811). Working capital improved by \$830,045. A first payment of preference share dividends of \$823,404 was made in September 1966.

Both asbestos fibre production and recovery increased with a production of 65,201 tons (60,646 tons) of A-25 fibre and recovery of 3.25% (2.94%). Drilling increased ore reserves to 55,000,000 tons at year end compared with 36,369,000 at the end of 1965.

## **CANADIAN DREDGE & DOCK CO. LIMITED**

For the year ended April 30, 1966 consolidated net profit was \$489,968 (82¢ per share). Included in the year's net profit was \$111,382 for claims received on work completed in prior years and \$17,030 interest earned on short term investments. The financial results included construction operations for a full year and operation of Ruby Foo's Restaurant and Motor Hotel in Montreal for the five months from acquisition in December 1965.

Canadian Dredge anticipates that profits for the fiscal year ending April 30, 1967 will not differ materially from the previous year. For the six months ended October 31, 1966 gross revenues were \$4,036,775 (\$1,440,576), and net profit \$351,297 (\$204,974). A term bank loan due in December 1967 was reduced by internally generated funds from U.S. \$1,250,000 to U.S. \$800,000 and extended to June 1968. Since portions of the tax loss carry forward of Canadian Dredge and its wholly owned subsidiary Bedford Construction Company Limited will be used no allowance is being made for payment of income taxes.



# THE PATIÑO MINING CORPORATION

(No Personal Liability)

AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended	December 31	December 31
		1966	1965
Revenue			
Metal sales.....		\$12,959,389	\$11,788,595
Dividend income, less taxes withheld (Notes 1(a) and 7).....		950,605	886,956
Other income.....		85,883	102,197
		<u>13,995,877</u>	<u>12,777,748</u>
Expense			
Mine operating, milling and general.....		5,584,100	5,273,067
Smelting, refining and freight.....		2,363,248	2,377,476
Corporate and administrative.....		442,755	509,801
Interest.....		378,823	282,976
Mining taxes (Note 8).....		372,000	127,000
		<u>9,140,926</u>	<u>8,570,320</u>
		<u>4,854,951</u>	<u>4,207,428</u>
Amortization of deferred expenditures.....		1,263,302	1,236,911
Depreciation.....		670,057	670,363
Outside exploration written off.....		523,007	137,808
		<u>2,456,366</u>	<u>2,045,082</u>
Net earnings.....		<u>\$ 2,398,585</u>	<u>\$ 2,162,346</u>

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

Balance, beginning of year.....	\$ 8,478,117	\$ 7,267,881
Net earnings.....	2,398,585	2,162,346
	<u>10,876,702</u>	<u>9,430,227</u>
Deduct—Dividends paid.....	968,613	952,110
Balance, end of year.....	<u>\$ 9,908,089</u>	<u>\$ 8,478,117</u>

See accompanying notes to financial statements.



# THE PATIÑO MINING CORPORATION

(No Personal Liability)

AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET



### ASSETS

	December 31 1966	December 31 1965
<b>CURRENT ASSETS</b>		
Cash.....	\$ 3,328	\$ 22,197
Marketable securities, at cost (market value 1966—\$1,426,925; 1965—\$1,150,050).....	1,519,043	1,211,619
Accounts receivable.....	381,178	167,571
Estimated amount receivable for concentrates.....	3,509,691	3,483,108
Inventory of supplies, and prepaid expenses.....	599,693	509,596
	<u>6,012,933</u>	<u>5,394,091</u>
<b>INVESTMENTS, at cost (Note 1)</b>		
Non-consolidated subsidiaries.....	11,530,033	11,519,578
Associated and other companies—		
Securities having a quoted market value, (market value—1966 \$20,292,691; 1965—\$28,262,139).....	12,534,378	11,780,692
Other securities.....	3,819,700	3,096,700
	<u>27,884,111</u>	<u>26,396,970</u>
<b>PROPERTY, PLANT AND EQUIPMENT, at cost</b>		
Plant, equipment and townsite.....	8,577,519	8,452,741
Less—Accumulated depreciation.....	5,843,914	5,173,857
	<u>2,733,605</u>	<u>3,278,884</u>
Mining properties (Note 2).....	2,553,975	2,553,975
	<u>5,287,580</u>	<u>5,832,859</u>
<b>OTHER ASSETS</b>		
Deferred expenditures (Note 2).....	19,796,966	19,206,735
Less—Amortization.....	7,932,058	6,668,756
	<u>11,864,908</u>	<u>12,537,979</u>
Mining projects, less amounts written off.....	1,479,084	400,369
Special refundable tax.....	110,800	—
	<u>13,454,792</u>	<u>12,938,348</u>
	<u>\$52,639,416</u>	<u>\$50,562,268</u>

See accompanying



## LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31 1966	December 31 1965
<b>CURRENT LIABILITIES</b>		
Bank advances (secured) .....	\$ 1,464,544	\$ 1,092,251
Bankers' acceptances (secured) .....	2,000,000	1,800,000
Accounts payable .....	691,977	795,044
Mining tax payable .....	195,956	140,306
Kerr Addison Mines Limited .....	300,000	300,000
	<u>4,652,477</u>	<u>4,127,601</u>
<b>NON-CURRENT LIABILITIES</b>		
Kerr Addison Mines Limited, payable in 1968 .....	300,000	600,000
Bank loan (secured) .....	3,600,000	3,250,000
	<u>3,900,000</u>	<u>3,850,000</u>
<b>SHAREHOLDERS' EQUITY (Notes 3 and 4)</b>		
Share capital, par value \$6.50 per share		
Authorized—5,000,000 shares		
Issued—3,875,550 shares (1965—3,862,000 shares) .....	25,191,075	25,103,000
Premium on shares issued .....	8,987,775	9,003,550
Earned surplus .....	9,908,089	8,478,117
	<u>44,086,939</u>	<u>42,584,667</u>
<b>SIGNED ON BEHALF OF THE BOARD:</b>		
 Director		
 Director		
	<u>\$52,639,416</u>	<u>\$50,562,268</u>



# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## AND CONSOLIDATED SUBSIDIARIES

	Year Ended	December 31	December 31
		1966	1965
Source of funds			
Net earnings.....		\$ 2,398,585	\$ 2,162,346
Depreciation.....		670,057	670,363
Amortization of deferred expenditures.....		1,263,302	1,236,911
Issue of shares.....		72,300	1,340,800
Non-current bank loan.....		350,000	153,300
		<u>4,754,244</u>	<u>5,563,720</u>
Application of funds			
Deferred expenditures.....		590,231	507,504
Plant and equipment (net).....		124,778	109,733
Payment to Kerr Addison Mines Limited.....		300,000	300,000
Acquisition of investments.....		1,487,141	4,904,933
Dividends.....		968,613	952,110
Mining projects (net).....		1,078,715	375,744
Special refundable tax.....		110,800	—
		<u>4,660,278</u>	<u>7,150,024</u>
Increase (decrease) in working capital			
Working capital, beginning of year.....		1,266,490	2,852,794
Working capital, end of year.....		<u>1,360,456</u>	<u>1,266,490</u>
		<u>\$ 93,966</u>	<u>\$(1,586,304)</u>

See accompanying notes to financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 1966

1. (a) The attached consolidated financial statements include the accounts of all subsidiaries of Patiño except Consolidated Tin Smelters Limited (and its subsidiaries), which is referred to below, and one other subsidiary which is relatively unimportant as to net assets and earnings, the investment in which is carried at \$151,683 (\$149,673 in 1965).

As at December 31, 1965, Patiño held 6,595,755 shares of General Tin Investments Limited, carried at \$11,369,905, representing 61.1% of the outstanding shares of that company, and having a quoted market value as at that date of \$11,146,825. Under a Scheme of Arrangement which became effective on December 16, 1966, General Tin Investments Limited was merged into Consolidated Tin Smelters Limited. In this connection, Patiño accepted an offer to exchange its shares of General Tin for shares of Consolidated Tin, on a three for one basis, and thereby received 2,198,583 ordinary shares of Consolidated Tin. As at December 31, 1966, these shares were carried at \$11,378,350 and represented 56.0% of the outstanding ordinary shares of that company; the quoted market value of such shares was \$16,203,557.

Dividends, after deducting taxes withheld, received by Patiño from this investment amounted to \$808,063 (\$419,804 in 1965).

- (b) Investments in securities of associated and other companies as at December 31, 1966 were as follows:

Company	Number of shares or par value	Percentage of outstanding shares
Having a quoted market value:		
Common shares—		
Advocate Mines Limited.....	600,000	10.0%
Brunswick Mining and Smelting Corporation Limited.....	983,000	10.2% (1)
Canadian Dredge & Dock Co. Limited.....	51,820	36.0% (1)
Lytton Minerals Limited (500,000 escrowed).....	1,090,000	42.7%
McWood Corporation.....	300,000	(2)
The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc.....	314,052	43.7%
Convertible Debentures—		
Canadian Dredge & Dock Co. Limited—6½% due June 8, 1971-75.....	\$929,670	(see above)
Other securities:		
Preference shares—\$100 par value—		
Advocate Mines Limited.....	30,967	17.3%
Common shares—partly paid—		
Rio Tinto Patiño, S.A.....	160,000	40.0%

(1) Adjusted to reflect dilution which may occur on exercise of conversion privileges.

(2) Patiño has accepted an offer to exchange the shares of McWood Corporation for 123,600 shares of Occidental Petroleum Corporation.

- (c) It should be noted, particularly with respect to substantial holdings, that the values may be more or less than indicated by market quotations.
2. The cost of property purchased in 1962 from Bouzan Mines Limited in the amount of \$1,800,000 and included in mining properties since that date, has been reclassified to deferred expenditures in order to reflect the amortization of production from that property.
3. During 1966, stock options were exercised on 13,550 shares issued for cash amounting to \$72,300. Discount of \$15,775 incurred on the issue of these shares was charged to premium on shares issued.
4. (a) Options to purchase 102,450 unissued shares of the company (expiring 1971 to 1974) at prices from \$4.00 to \$8.50 per share were outstanding as at December 31, 1966, under an executive incentive plan.
- (b) An option to Compañía de Bonos, Acciones y Negocios Industriales, S.A. for the purchase of 400,000 unissued shares of the Company (expiring on July 31, 1968) at \$7.00 per share was outstanding as at December 31, 1966, in respect to which 200,000 shares were subscribed for subsequent to that date.
5. As at December 31, 1966, the Company was contingently liable in the amount of approximately \$1,600,000 under a guarantee of 7% First Mortgage Bonds of Bedford Construction Company Limited. In this connection, Patiño holds security under the assignment of a debenture issued by that company.
6. In connection with certain agreements entered into during 1966, relating to such matters as the acquisition of mining rights and properties, the exploration and development of mineral resources, and the possible establishment of metal treatment facilities—in Spain, New Caledonia and Mexico—the Company was committed as at December 31, 1966 to further outlays of up to \$7,500,000 (U.S.). However, as these projects are in the initial stages and their scope has not yet been finally determined, it is not possible to estimate the expenditures that will ultimately be required.
7. Dividend income in 1965 included \$467,152, representing the income portion (less U.S. withholding tax) of a special distribution by The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc.
8. No income taxes have been provided in the accompanying statement of earnings as capital cost allowances and pre-production expenditures available for income tax purposes exceed profits otherwise taxable.



## REPORT OF THE AUDITORS

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PRICE WATERHOUSE & CO.

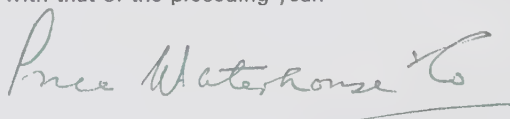
55 Yonge Street,  
Toronto 1  
March 3, 1967

To the Shareholders of

The Patiño Mining Corporation (No Personal Liability):

We have examined the consolidated balance sheet of The Patiño Mining Corporation (No Personal Liability) and consolidated subsidiaries as at December 31, 1966 and the consolidated statements of earnings, earned surplus and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script that reads "Price Waterhouse & Co." with a horizontal line underneath.

Chartered Accountants

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# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## COPPER RAND MINES DIVISION

### Report of the Management

The President and Directors,  
The Patiño Mining Corporation.

Gentlemen:

We submit herewith a report on the operations of Copper Rand Mines Division for the year ended December 31, 1966.

### PRODUCTION

The mill operated 357 days compared with 362 days in 1965. Several days were lost due to an illegal strike. A breakdown of the production hoist at the Copper Rand mine restricted production for a 2-week period. The average daily tonnage milled decreased to 1,824 tons compared with 1,837 tons per day in 1965. Mill feed was obtained throughout the year from the Copper Rand, Bouzan, Jaculet, Portage and Quebec Chibougamau mines. Ore from low-grade blasthole stopes at the Copper Rand mine accounted for 19% of the mill feed. This, together with the serious shortage of experienced mine labour, resulted in lower copper production and contributed to the increase in costs.

Tons milled were:

<u>Mine</u>	<u>1966</u>	<u>1965</u>
Copper Rand.....	300,163	353,070
Bouzan.....	35,205	35,554
Jaculet.....	156,372	77,393
Portage.....	137,637	151,276
Quebec Chibougamau Goldfields.....	21,833	45,958
Total.....	<u>651,210</u>	<u>663,251</u>
Average daily milling rate.....	1,824	1,837

	<u>Copper</u>	<u>Gold</u>	<u>Silver</u>
Mill head grade.....	1.97%	0.036 oz/ton	0.21 oz/ton
Concentrate grade.....	24.59%	0.377 oz/ton	2.30 oz/ton
Recovery.....	95.19%	79.89%	78.67%

Metals contained in concentrates shipped:

	<u>1966</u>	<u>1965</u>
Copper.....	24,330,866 pounds	27,915,099 pounds
Gold.....	18,290 ounces	24,451 ounces
Silver.....	119,249 ounces	166,381 ounces

Since the start of operations in January, 1960, 4,460,000 tons have been milled with an average grade of 2.37% copper, 0.05 ounce gold and 0.28 ounce silver.

## **MINE DEVELOPMENT AND MINING**

The ore position was maintained as a result of the intensive program of exploration and development that is being pursued at all properties. In 1966 lateral development decreased slightly from that completed in 1965 but the footage of raising was substantially increased. Diamond drilling footage increased 14%. After the milling of 651,210 tons, ore reserves show an increase of 77,000 tons, to 4,893,000 tons grading 2.40% copper.

### **COPPER RAND MINE**

Production from the Copper Rand mine totalled 300,163 tons averaging 2.02% copper, of which the Eaton Bay zone produced 134,189 tons grading 2.91% and the Machin zone produced 165,974 tons grading 1.31%. Mining was carried out in 10 stopes between the 275 and 1,620-foot levels in the Eaton Bay zone and in 10 stopes between the 700 and 1,910-foot levels in the Machin zone. Three sub-level stopes in this zone supplied 38% of the total ore produced from this unit.

The breakdown of the main hoist at the Copper Rand mine in August resulted in a loss of 300,000 pounds of copper production.

On the 1300-foot level, the main west drift was advanced 310 feet into previously unexplored ground. Diamond drilling will be carried out from this heading.

The east extension of the South Eaton Bay zone was explored by 945 feet of drifting on the 1620-foot level. Diamond drilling has indicated lenses of mineralization which will be investigated further.

On the 1910-foot level, 1,070 feet of drifting were completed in the Machin zone. Diamond drilling on this level and on the 1770 and 1620-foot levels developed ore lenses containing 97,000 tons grading 1.87% copper. The tonnage of ore presently indicated on the 1910 level is comparable with that developed on the upper levels.

Preparations were started for the deepening of the main shaft an additional 930 feet to 3,080 feet. Excavation of a hoistroom has been completed and installations have been made on the 1910 level.

### **BOUZAN MINE**

Mining of the Bouzan ore bodies provided 35,205 tons grading 2.16% copper from 8 stopes.

The excavation of a shaft from surface to the 275-foot level is in progress. The shaft will permit development of a wet section of the South Eaton Bay ore zone without interfering with normal operations.

### **JACULET MINE**

Ore supplied to the mill totalled 156,372 tons grading 1.81% copper. Routine mining was carried out in 14 stopes in the No. 1 and No. 2 ore zones. A sub-level stope which was developed in the No. 2 ore zone supplied 8% of the ore shipped to the mill.

In the No. 1 zone, the 1200-foot level drift was driven 500 feet to the east. Exploratory drilling will now be carried out in this area.

In the No. 2 zone, the east drift on the 900-foot level was advanced 1,050 feet. This work developed a strike length of 1,215 feet of ore in several lenses. Initial development on the 1050-foot level has confirmed the continuity of the west ore lenses but the ore potential does not appear to be comparable with that on the 900-foot level.

The substantial improvement in ore reserves permitted increased output from this unit.

### **PORTAGE MINE**

Production from the Portage mine totalled 137,637 tons grading 2.05% copper and 0.10 ounce gold. Mining was conducted in 12 stopes between the 250 and 1600-foot levels. Drifting and diamond drilling to the east of the main zone developed a new ore lens between the 700 and 1000-foot levels containing an estimated 30,000 tons of 2.86% copper. Diamond drilling on the 1150-foot level to the west of the main cross-cut confirmed the downward extension of the main ore zone. On the 1600-foot level, the main cross-cut was driven 1,530 feet to intersect the ore zones. Development to date has indicated a strike length of 682 feet of ore in two zones with important tonnage possibilities.

### **QUEBEC CHIBOUGAMAU GOLDFIELDS MINE**

This mine is being operated on a lease basis. Ore supplied to the Copper Rand mill amounted to 21,833 tons grading 1.41% copper and 0.086 ounce gold. Mining was carried out in 5 stopes from the 250-foot level to the 800-foot level.

On the 800-foot level, the east drift was advanced 189 feet in the Copper Rand property for exploration purposes. A total of 6,926 feet were drilled from this heading to investigate copper mineralization indicated by surface drilling. Nothing of interest was encountered.



## SUMMARY OF UNDERGROUND WORK

	Copper Rand	Bouzan	Jaculet	Portage	Que. Chib.	Totals
Shaft stations (cu. ft.) . . . . .	41,923	740	—	3,650	—	46,313
Drifts and crosscuts (ft.) . . . . .	7,183	391	6,542	7,069	435	21,620
Raises (ft.) . . . . .	3,046	85	1,876	2,082	476	7,565
Diamond drilling (ft.) . . . . .	56,585	4,440	38,201	28,021	6,926	134,173

## ORE RESERVES

	As at December 31, 1966			As at December 31, 1965		
	Tons	% Cu	Oz Au	Tons	% Cu	Oz Au
<b>COPPER RAND MINE</b> (above 1910-level) . . . . .	2,423,000	2.34	.025	2,230,000	2.46	.025
<b>BOUZAN MINE</b> (above 1620-level) . . . . .	675,000	3.22	.025	793,000	3.14	.025
<b>JACULET MINE</b> (above 1200-level) . . . . .	649,000	2.05	.025	392,000	2.04	.025
<b>PORTAGE MINE</b> (above 1300 level) . . . . .	1,146,000	2.20	.160	1,379,000	2.13	.158
<b>OTHER PROPERTIES</b> . . . . .				22,000	2.03	.102
<b>TOTAL</b> . . . . .	<u>4,893,000</u>	<u>2.40</u>	<u>.057</u>	<u>4,816,000</u>	<u>2.44</u>	<u>.063</u>

## SURFACE EXPLORATION

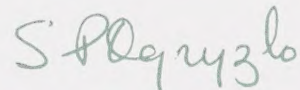
Seven areas in the vicinity of the operating mines were covered by induced polarization surveys. These have indicated several anomalous areas which will be investigated by drilling.

## LABOUR

At year end the work force totalled 593 employees compared with 590 in 1965. Labour turnover continued to be high and this together with the continued shortage of experienced miners adversely affected operations. A program was started to train locally recruited inexperienced labour. This resulted in the addition of about 60 miners to the work force. Efforts to recruit experienced miners in Europe met with little success.

We take this opportunity to express our appreciation to Messrs. W. N. Blayney, Production Superintendent, M. J. Tessier, Mechanical Superintendent, C. W. Eggert, Mill Superintendent, I. S. Parrish, Chief Geologist, J. Smith, Chief Engineer, D. H. Mather, Administrative Manager, and their staffs, for their loyal and able efforts throughout the year.

Yours faithfully,



Vice-President



Mine Manager

March 27, 1967









